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Corporate governance and firm performance in Russia: an empirical study☆

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Abstract

Using the agency and institutional perspectives, this study advances several hypotheses about the board structure–firm performance relationship within Russia. We tested these hypotheses using survey data. Despite a relatively small sample size, predictions from both theoretical perspectives were supported. Specifically, we found a negative relationship between ''informal'' CEO duality and firm performance. This finding is noteworthy given the 1996 Russian Federal law which prohibits the CEO from also serving as board chair. Also, we found that the more vigorously the firm pursues a retrenchment strategy, the more negative the relationship between proportion of inside directors and firm performance. Overall, these findings suggest that effective corporate governance may be essential to firm performance in Russia.

Keywords: Russia; Firm performance; CEO duality; Board composition; Retrenchment

1. Introduction

Effective governance is critical to all economic transactions, especially in emerging and transitioning economies (Dharwadkar, George, & Brandes, 2000). One of the ways that governance is judged to be effective is through the systemic collection of data by the government and the publication of this data for outside sources to review and analyze. Unfortunately, in transitioning economies, much of this data are not collected or published, and what data that are published are not reliable or valid.

To address this void, we collected and analyzed primary data within a globally important transition economy—Russia. Specifically, we administered surveys to Russian managers located in the industrial heartland of Russia in December, 2002. While these data were not subjected to psychometric rigor, these data do provide a glimpse into the perceptions of mid- to high-level managers who are ''in the trenches'' and have little to gain or lose from sharing their current

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